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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended May 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

PROCESSED
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Commission File Number 0-18432

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MARTECH USA, INC.
(Exact name of registrant as specified in its charte

Delaware
(State or other jurisdiction of incorporation or organization)

76-0139400
(I.R.S. Employer Identification No.)

300 East 54th Avenue, Anchorage, Alaska 99518
(Address of Principal Executive Office) (Zip Code)

907-561-1970
(Registrant's telephone number, including area code)

not applicable
(Former name, former address, and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of June 10, 1992.

Common Stock, $.01 par value per share: 9,984,683 shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MARTECH USA, INC.

CONDENSED BALANCE SHEETS

(unaudited)

ASSETS	MAY 31, 1992	AUGUST 31, 1991
Current assets:		
Cash and cash equivalents	$ ---	$ 864,225
Accounts receivable, net of allowance for doubtful accounts of $400,000	18,463,050	18,744,639
Costs and estimated earnings in excess of billings on uncompleted fixed price contracts	8,891,457	3,221,477
Refundable income taxes	---	489,391
Prepaid expenses	1,158,543	1,224,584
Supplies	122,250	147,139
Total current assets	28,635,300	24,691,455
Property and equipment, at cost	29,098,122	24,597,125
Less: accumulated depreciation	(9,007,634)	(7,991,631)
	20,090,488	16,605,494
Investment in joint venture	2,982,729	---
Investment in Eastern European operations	---	3,588,698
Deposits	62,274	55,773
	$ 51,770,791	$ 44,941,420

(Continued)

MARTECH USA, INC.
CONDENSED BALANCE SHEETS
(unaudited)
(Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY	MAY 31, 1992	AUGUST 31, 1991
Current liabilities:		
Revolving bank loan	$ 2,000,000	$ 4,500,000
Contracts payable	1,076,962	1,261,005
Accounts and notes payable	11,288,784	6,882,165
Accrued payroll and related taxes	190,193	853,214
Other current liabilities	362,833	95,561
Total current liabilities	14,918,772	13,591,945
Stockholders' equity:		
Preferred stock; par value $0.01; 1,000,000 shares authorized; none issued and outstanding	-	-
Common stock; par value $0.01; 20,000,000 shares authorized; issued and outstanding 9,984,683	99,847	99,761
Other stockholders' equity	36,752,172	31,249,714
Total stockholders' equity	36,852,019	31,349,475
	$ 51,770,791	$ 44,941,420

See accompanying notes.

MARTECH USA, INC.

CONDENSED STATEMENTS OF INCOME

(unaudited)

	THREE MONTHS ENDED MAY 31		NINE MONTHS ENDED MAY 31	
	1982	1981	1982	1981
Revenues	$ 14,431,000	$ 9,616,000	$ 40,207,000	$ 29,524,000
Cost of revenues	(11,391,000)	(8,202,000)	(32,054,000)	(23,183,000)
Selling, general and administrative expenses	(1,208,000)	(1,016,000)	(3,189,000)	(2,859,000)
Gain on involuntary conversion	---	1,125,000	---	1,125,000
Gain on sale of 50% interest in Eastern European operation (Note 3)	---	---	1,206,000	---
Interest expense	(50,000)	(24,000)	(255,000)	(31,000)
Income before provision for income taxes	1,782,000	1,499,000	5,914,000	4,576,000
Provision for income taxes (Note 2)	(200,000)	---	(461,000)	(275,000)
Net income	$ 1,582,000	$ 1,499,000	$ 5,453,000	$ 4,301,000
Net income per share	$ 0.16	$ 0.15	$ 0.55	$ 0.43

See accompanying notes.

MARTECH USA, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(unaudited)

	NINE MONTHS ENDED MAY 31,	
	1992	1991
Cash provided (used) by operating activities	$ 4,460,446	$(4,660,887)
Cash flows from investing activities:		
Proceeds from collections of note receivable	---	130,712
Purchase of property and equipment	(4,500,997)	(7,563,827)
Proceeds from sale of interest in Eastern European operations	3,000,000	---
Investment in joint venture	(1,189,031)	---
Net cash (used) by investing activities	(2,690,028)	(7,433,115)
Cash flows from financing activities:		
Proceeds from revolving bank loan	---	3,500,000
Principal payments on revolving bank loan and contracts payable	(2,684,043)	---
Proceeds from sale of stock options	49,400	---
Net cash provided (used) by financing activities	(2,634,643)	3,500,000
Net increase (decrease) in cash and cash equivalents	(864,225)	(8,594,002)
Cash and cash equivalents at beginning of period	864,225	11,143,355
Cash and cash equivalents at end of period	$ ---	$ 2,549,353

See accompanying notes

MARTECH USA, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS
May 31, 1992

1. Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended May 31, 1992 are not necessarily indicative of the results that may be expected for the year ended August 31, 1992. These condensed financial statements should be read in conjunction with the financial statements and footnotes thereto included in the Company's annual report for the year ended August 31, 1991.

Per share information is based on the weighted average number of outstanding common shares and common share equivalents during each period; 9,976,083 shares for the three and nine months ended May 31, 1992, and 9,956,000 shares for the three and nine months ended May 31, 1991.

2. Income Taxes

The effective tax rate differs from the statutory Federal Income Tax Rate principally because of the effect of state income taxes and the utilization of net operating loss carryforwards. The amount of the Company's Federal net operating loss carryforwards which may be utilized on an annual basis are limited to $5.3 million due to changes in ownership of the Company in fiscal 1990. The Company records no Federal income

tax liability until the Federal taxable income exceeds $5.3 million, at which time the Company begins accruing federal income taxes at the full statutory rate on Federal taxable income in excess of $5.3 million.

3. Investment in Eastern European Operation

During fiscal 1991 the Company negotiated an agreement with COMCO Holding AG-CCG (a Swiss company), which is a wholly-owned subsidiary of a German company (ASKO DEUTSCHE KAUFHAUS AKTIENGESELLSCHAFT), whereby COMCO acquired a 50% interest in the Company's investment in its Eastern European operations with a carrying value of $3,588,698 at August 31, 1991, and certain intangible assets in exchange for a payment of $3,000,000. The Company and COMCO each contributed $860,000 and their respective interests in Eastern Europe to form COMCO Martech JV (a corporate joint venture) in exchange for 50%, each, of the outstanding common stock of the new venture. The venture is jointly managed by the shareholders and carries out all activities in Eastern Europe of the nature formerly conducted by the Company.

The agreement was signed and payment of $3,000,000 was made in November 1991. Accordingly, the gain on the sale of the 50% interest in the Company's Eastern European operations of $1,205,000 has been reported in the three months ended November 30, 1991, and the nine months ended May 31, 1992.

4. Uncompleted Fixed-price Contracts

Costs and estimated earnings on uncompleted fixed-price contracts are summarized as follows:

	May 31, 1992	August 31, 1991
Costs incurred	$ 9,002,612	$ 3,276,819
Estimated earnings	3,134,247	2,424,625
	12,136,859	5,701,444
Less billings	3,245,402	2,479,967
	$ 8,891,457	$ 3,221,477

5. Restatement

As has been previously disclosed, the financial statements as of and for the three and nine month periods ended May 31, 1991 have been restated. The restatements were principally related to the computation of revenues and the amount and timing of earnings on certain contracts as well as certain tax obligations.

KPMG Peat Marwick

Certified Public Accountants

601 West 5th Avenue
Suite 700
Anchorage, AK 99501-2258

Telephone 907 276 7401

Telefax 907 274 4953

Independent Auditors' Report

The Board of Directors
Martech USA, Inc.:

We have reviewed the condensed balance sheet of Martech USA, Inc. as of May 31, 1992, and the related condensed statements of income and cash flows for the three-month periods ended May 31, 1992 and 1991, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the balance sheet of Martech USA, Inc. as of August 31, 1991, and the related statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 10, 1992, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying condensed balance sheet as of August 31, 1991, is fairly presented, in all material respects, in relation to the balance sheet from which it has been derived.

Our report, dated January 10, 1992, on the financial statements of Martech USA, Inc. as of and for the year ended August 31, 1991, contains an explanatory paragraph which states that the 1990 financial statements have been restated to reflect corrections of errors due to the misapplication of accounting principles.

KPMG Peat Marwick

Anchorage, Alaska
July 8, 1992

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Revenues during the third quarter of fiscal 1992 increased 50% to $14.4 million from $9.6 million in the third quarter of fiscal 1991. The increase is primarily attributable to growth in the Company's environmental remediation services revenues, which increased 170% to $9.8 million from $3.6 million in the year earlier period. The growth in environmental remediation services revenues occurred primarily in the continental United States and is largely attributable to an increase in work performed for the U.S. Government. The Company's marine services revenues increased 40% to $4.4 million from $3.2 million in the year earlier period. The increase is primarily attributable to several large projects performed off the coast of California. The Company's emergency spill response revenues decreased 90% to $0.2 million from $2.8 million in the year earlier period. During the third quarter of fiscal 1991 the Company's emergency spill response revenues were earned primarily by three contracts in the Middle East.

Revenues during the nine months ended May 31, 1992 increased 36% to $41.4 million from $29.5 million in the year earlier period. Environmental remediation services revenues increased 69% to $25.3 million from $15.0 million in the nine months ended May 31, 1991. This growth occurred primarily within the continental United States and is largely attributable to work performed for the U.S. Government. Marine services revenues increased 75% to $13.7 million from $7.9 million in the year earlier period. The increase is primarily attributable to several large projects performed off the coast of California. During the nine months ended May 31, 1992 the Company's spill response revenues decreased 82% to $1.1 million from $6.3 million in the year earlier period. During the nine months ended May 31, 1991 the Company's' emergency spill response revenues were earned primarily in the Middle East.

Costs and estimated earnings in excess of billings on uncompleted fixed-price contracts increased to $8.9 million at May 31, 1992 from $3.2 million at August 31, 1991 due to a significant increase in fixed-price contracts in progress. Accounts and notes payable increased to $11.3 million at May 31, 1992 from $6.9 million at August 31, 1991. The increase in accounts and notes payable is primarily related to construction activities and is associated with the significant increase in fixed-price contracts.

Selling, general and administrative (S,G&A) expenses as a percentage of revenues declined to 8.4% in the third quarter of fiscal 1992 from 10.6% in the year earlier period. For the nine months ended May 31, 1992, S,G&A expenses as a percentage of revenues declined to 7.9%

from 9.7% in the year earlier period. The decline is attributable to the increase in revenues.

Interest expense increased in the third quarter and nine months ended May 31, 1992 due to higher average borrowing on the Company's revolving line of credit.

Income taxes increased in the third quarter to 11.2% of income before income taxes, from 0% in the third quarter of fiscal 1991. For the nine month period income taxes increased to 7.8% of income before income taxes, from 6.0% in the year earlier period. The income tax expense reflects the utilization of Federal net operating loss carryforwards. See Note 2 to Notes to Condensed Financial Statements.

During the nine months ended May 31, 1992 the Company acquired property and equipment totaling $4.5 million, primarily consisting of construction equipment utilized in the Company's environmental remediation services business.

During the nine months ended May 31, 1992 the Company financed its operations with cash generated by operating activities of $4.5 million. The Company has a $5.0 million revolving line of credit to fund operations and a $5.0 million line of credit to support the issuance of standby letters of credit. As of May 31, 1992 the entire amount of these lines of credit was available to the Company. In addition, the company has a $2.0 million line of credit to fund the purchase of equipment. As of May 31, 1992 the entire amount of this line of credit has been drawn by the Company. The Company expects that cash generated from operations and funds available through the line of credit will be sufficient to meet its working capital needs in the foreseeable future.

The Company's results of operations have not been significantly affected by inflation, nor does the Company expect to be so affected in the future.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

No Reports on Form 8-K have been filed by the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARTECH USA, INC.
(Registrant)

Date: July 10, 1992

By _____
Benjamin C. Tisdale, III
President & Chief Executive Officer

Date: July 10, 1992

By _____
Mark T. Clore
Chief Financial Officer